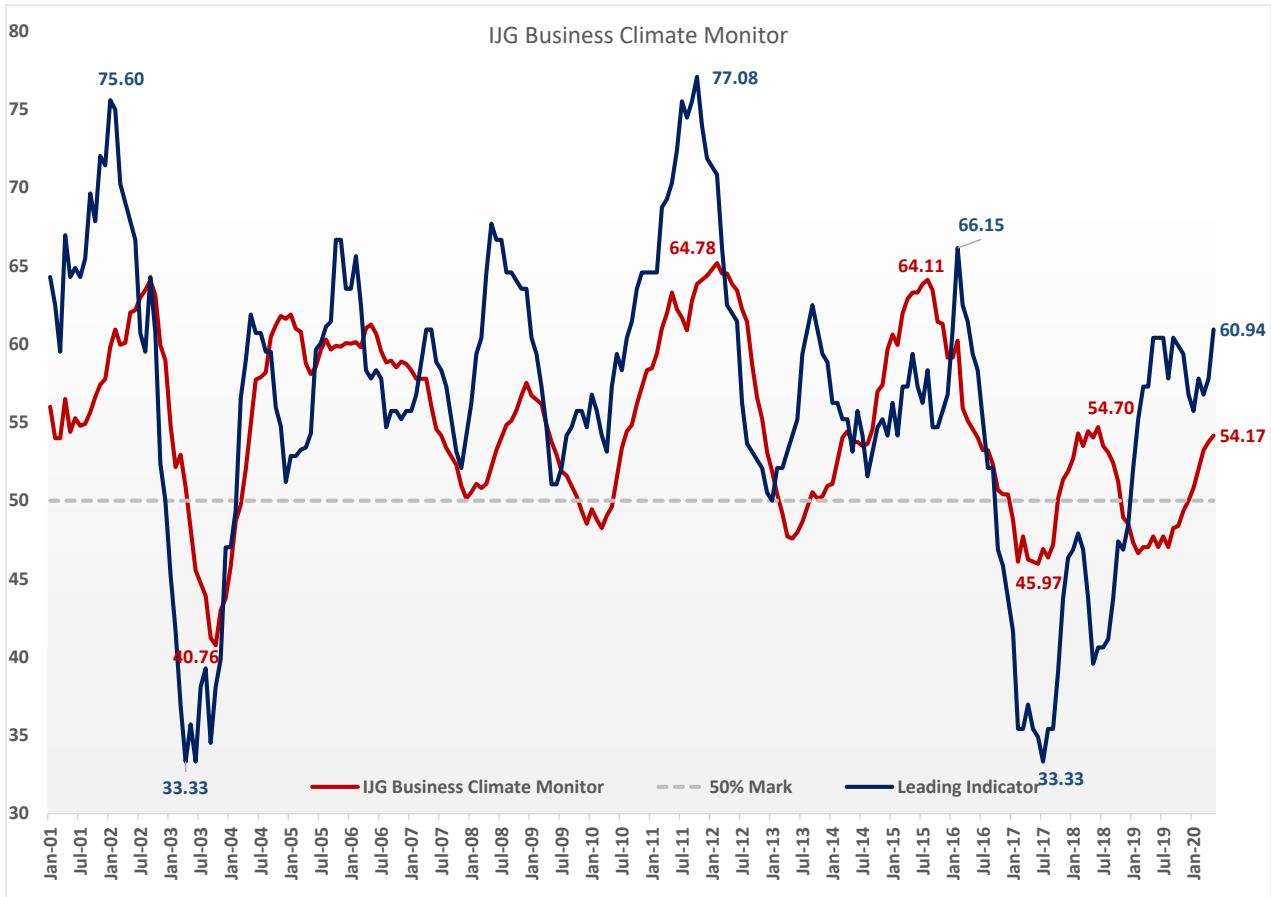




# BUSINESS CLIMATE MONITOR MAY-20

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** (BCM) rose further to 54.17 in May coming closer to the high of 54.70 in June 2018. The calibration of the BCM – it is the average of monthly indices over the past twelve-month period – hides the drop in the monthly BCM in April 2020 from 61.29 in March to 54.84 where it remained in May 2020. The Leading Indicator consisting of 15 of the 31 indicators crossed the 60-point mark reaching 60.94 up from 57.81 in April. Overall, 17 indicators improved in May, while 14 of the 31 indicators dropped in value.

The number of livestock marketed during May 2020 rose by some 1,000 to 19,168, which is much lower than the number in May 2019 that stood at 59,866. Both the beef and lamb prices increased slightly to NAD44.11 per kg and NAD45.13 per kg respectively, which in the case of lamb prices compared favourably with the price of NAD37.45 a year earlier. Copper production remained virtually at the same level as in April with 1,206 tonnes being produced, while diamond production rose to the highest level so far this year – 214,192 carat were mined. In contrast, both gold and uranium output dropped. Some 522 kg of gold was produced compared to 654 kg in April 2020, while 496 kg was mined in May 2019. The output of the uranium mines plummeted to just 261,08 tonnes from 666.08 in April 2020.

Since our borders remained closed for all but essential travel, only 131 foreign visitors arrived at the Hosea Kutako Airport – up from 42 in April – but in no comparison to the usual number of visitors during May.

Both export and import values recovered from relatively low values in April and stood at NAD7.02 billion and NAD8.05 bn respectively resulting in the lowest trade deficit of NAD1.03 bn so far this year.

Credit extended to the private sector declined slightly in May to a total of NAD102.3 bn from 102.4 bn with credit extended to businesses being lower, while credit extended to individuals was slightly higher than in the month before. After businesses reopened in May, new vehicle sales picked up to 470 units, which was still substantially below the 1,055 units sold a year ago. The value of building plans completed in Windhoek rose to the second highest value of NAD103.7 million in May this year, whereas the value of building plans approved was the lowest on record in 2020 so far at NAD94.8 m.

The Namibia dollar strengthened again against major currencies such as the Euro and US dollar in May after depreciating sharply during March and April. NAD19.47 and NAD17.55 bought one Euro and one USD respectively on average in May compared to NAD20.30 and NAD18.53 in April. Petrol prices at NAD10.35 per litre declined to the lowest level since April 2015 (NAD9.99 per litre) and diesel prices to NAD11.13 per litre – the lowest since October 2017 (NAD10.68 per litre). Company registrations picked up compared to April, but remained at very low levels.

### Note on methodology

The index encompasses 31 indicators, selected from available high-frequency data. These are split into five broad categories, namely: policy environment, primary sector output, secondary and tertiary output, external account, and pricing. Given the available high-frequency data, these categories provide the best available high-frequency insight into developments in the local economy and business cycle.

The raw data are adjusted and transformed for seasonality, inflation and exchange rate as appropriate. In addition, the data are adjusted to factor in whether higher or lower values are desirable (for example higher government spending is positive for the business climate, while higher interest rates are negative).

In order to develop a stationary indicator (i.e. not trending up or down) and to show dispersion from a mean value, the common PMI (Purchasing Managers' Index) approach has been slightly adjusted and utilised. This approach sees transformed indicators that are contracting over a 12-month period given a value of 0, while unchanged indicators are valued at 50 and expanding indicators valued at 100. The average value across the 31 indicators is then taken, with an overall value of over 50 implying expansion in the majority of indicators, while a value below 50 shows contraction in the majority of indicators. In addition to the level, the trend of the BCM line illustrates whether indicators are generally improving or deteriorating. A 12-period moving average is then used to smooth the indicator and ensure that short-term volatility or base effects do not provide a misleading view of the local business climate. When compared to the historic business cycles, this approach gives a satisfactory high-frequency view of the state of the local business climate.

### Indicators

Indicator	Higher Value Better	Transformation	Leading
<b>Policy Environment</b>			
Prime Rate	No	None	Yes
Monthly Government Spending (N\$)	Yes	Deflated	Yes
<b>Primary Sector Output</b>			
Livestock marketed (#)	Yes	Seasonal Adjustment	No

Copper Production (tons)	Yes	None	No
Gold Production (kg)	Yes	None	No
Diamond Production (000' carats)	Yes	None	No
Uranium Production (short tons)	Yes	None	No
<b>Secondary and Tertiary Output</b>			
Building Plans Completed (N\$)	Yes	Deflated, Seasonal Adjustment	No
Building Plans Approved (N\$)	Yes	Deflated, Seasonal Adjustment	Yes
Tourism Arrivals (#)	Yes	Seasonal Adjustment	No
Passenger Vehicle Sales (#)	Yes	Seasonal Adjustment	No
Commercial Vehicle Sales (#)	Yes	Seasonal Adjustment	No
Credit Extended to Individuals (N\$)	Yes	Deflated, Seasonal Adjustment	No
Credit Extended to Businesses (N\$)	Yes	Deflated, Seasonal Adjustment	Yes
CC Registrations (#)	Yes	Seasonal Adjustment	Yes
Company Registrations (#)	Yes	Seasonal Adjustment	Yes
Defensive Name Registrations (#)	Yes	Seasonal Adjustment	Yes
<b>External Account</b>			
Imports (N\$)	No	Deflated, Seasonal Adjustment	Yes
Exports (N\$)	Yes	Deflated, Seasonal Adjustment	No
EURZAR Exchange rate	Yes	None	Yes
USDZAR Currency Exchange rate	Yes	None	Yes
<b>Prices</b>			
Beef Price (N\$)	Yes	Deflated, Seasonal Adjustment	No
Lamb Price (N\$)	Yes	Deflated, Seasonal Adjustment	No
Copper Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Gold Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Diamond Rough Price (Index)	Yes	Converted to ZAR, Deflated	Yes
Uranium Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Brent Crude Oil (N\$)	No	Converted to ZAR, Deflated	Yes
Petrol (95 Octane) (N\$)	No	Deflated	No
Diesel (500 ppm) (N\$)	No	Deflated	No
NCPI (Index)	No	Seasonal Adjustment	Yes

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